

Message Text

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PAGE 01 PARIS 35041 01 OF 02 011815Z
ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00
SP-02 USIA-06 AID-05 EB-08 TRSE-00 SS-15 STR-05
OMB-01 CEA-01 L-03 H-01 PA-01 PRS-01 CIAE-00
COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03
LAB-04 SIL-01 EA-10 NEA-10 AGRE-00 /115 W
-----022106 011903Z /53

O R 011646Z DEC 77
FM AMEMBASSY PARIS
TO SECSTATE WASHDC IMMEDIATE 2451
INFO ALL OECD CAPITALS
USMISSION GENEVA
AMEMBASSY BRUSSELS

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PASS E FOR UNDER SECRETARY COOPER, TREASURY FOR UNDER
SECRETARY SOLOMON, STR FOR AMBASSADOR WOLFF

E.O. 11652: N/A
TAGS: ETRD, OECD

SUBJECT: OECD AD HOC GROUP ON STEEL: NOV. 30 MEETING

1. SUMMARY: NOVEMBER 30 SESSION OF AD HOC STEEL
GROUP REACHED AGREEMENT ON THREE MAIN PRINCIPLES TO
GUIDE COUNTRIES' EFFORTS TO DEAL WITH EXTRAORDINARY
PROBLEMS CONFRONTING THEIR STEEL INDUSTRIES:
THAT THEY SHOULD AVOID SHIFTING THE BURDEN OF
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PAGE 02 PARIS 35041 01 OF 02 011815Z

ADJUSTMENT FROM ONE PRODUCER TO ANOTHER; THAT QR'S
ARE NO SOLUTION TO FUNDAMENTAL PROBLEMS; AND THAT
SPECIAL ATTENTION SHOULD BE GIVEN TO THE PROBLEM
OF UNJUSTIFIABLY LOW PRICES. GROUP ALSO DECIDED
TO ESTABLISH AN INFORMATION GATHERING SYSTEM BASED
ON OECD SECRETARIAT'S PROPOSALS. PUBLIC CONCLUSIONS
OF MEETING EMBODYING THESE RESULTS ARE REPORTED

SEPTEL. EXPERTS WILL MEET TO WORK OUT DETAILS FOR COUNTRY REPORTING UNDER INFORMATION SYSTEM DECEMBER 15, AND AD HOC GROUP ITSELF WAS TENTATIVELY SCHEDULED TO MEET AGAIN IN LATE JANUARY (TO DISCUSS POLICY APPROACHES) AND MARCH (FOR FIRST "MONITORING" SESSION BASED ON NEW INFORMATION SYSTEM). DURING COURSE OF MEETING U.S. MADE BRIEF CLARIFYING EXPLANATION OF PROPOSED SYSTEM OF PRICE TRIGGERS FOR ANTI-DUMPING INVESTIGATIONS, AND SEVERAL DELS EXPRESSED CONCERN ABOUT POSSIBLE EFFECTS OF SUCH A MEASURE. END SUMMARY.

2. INFORMATION SYSTEM: OTHER THAN EC, WHO CLAIMED PAPER HAD NOT BEEN RECEIVED EARLY ENOUGH TO PERMIT THOROUGH STUDY, DELS GAVE FULL SUPPORT TO SECRETARIAT'S PROPOSAL FOR INFORMATION SYSTEM. U.S. URGED SYSTEM BE PUT INTO OPERATION QUICKLY AND STRESSED IMPORTANCE OF QUALITATIVE NOTES ON MEMBERS POLICIES, INCLUDING INVOLVEMENT IN NEW PROJECTS IN NON-MEMBER COUNTRIES. SEVERAL SMALLER DELS NOTED THAT PROBLEMS OF BUSINESS CONFIDENTIALITY WOULD NEED TO BE RESOLVED GIVEN THE HIGHLY CONCENTRATED NATURE OF THEIR INDUSTRIES. JAPAN DOUBTED FEASIBILITY OF EXTENSIVE SUBMISSIONS ON PRICES. EC TOOK CAUTIOUS APPROACH, SAYING THAT THE IMPLEMENTATION OF THE SYSTEM NEEDED CAREFUL STUDY LIMITED OFFICIAL USE

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PAGE 03 PARIS 35041 01 OF 02 011815Z

BY EXPERTS TO MAKE SURE SUBMISSIONS OF PARTICULAR ITEMS WOULD BE FEASIBLE AND COMPARABLE. EC REPRESENTATIVE INDICATED, HOWEVER, THAT HE HAD NO DESIRE TO DELAY IMPLEMENTATION, AND PROPOSED EXPERTS WORK OUT DETAILS AT MEETING BEFORE CHRISTMAS. GROUP AGREED AND MEETING WAS SCHEDULED FOR DEC. 15, WITH OBJECTIVE OF STARTING UP INFORMATION SYSTEM JAN. 1, AND HAVING FIRST "MONITORING" SESSION OF GROUP IN MARCH. GROUP ALSO AGREED TO AIM FOR EARLY SUBMISSION OF QUALITATIVE NOTES CALLED FOR IN SYSTEM TO HELP STIMULATE DISCUSSION AT MEETING TOWARD END OF JANUARY DEVOTED TO POLICY APPROACHES.

3. POLICY APPROACHES: GROUP'S DISCUSSION CENTERED ON TEXT PROPOSED JOINTLY BY U.S., EC AND JAPAN OUTLINING PRINCIPLES TO GUIDE EFFORTS TO DEAL WITH STEEL PROBLEMS. CANADIANS AND AUSTRALIANS WERE UNHAPPY WITH STRENGTH OF LANGUAGE INDICATING AGREEMENT ON THESE PRINCIPLES, BUT GAVE WAY TO PRESSURE FROM OTHER DELS. AUSTRALIANS ALSO MADE STRONG PLEA TO INCLUDE "EXTENSIVE ONGOING SUBSIDIZATION OF PRODUCTION" IN SAME CATEGORY AS

QUANTITATIVE RESTRICTIONS, BUT EC WAS UNWILLING
TO GO BEYOND "OTHER MEASURES OF A PROTECTIONIST
NATURE," AND THERE WAS LITTLE SUPPORT FOR MODIFYING
THIS ALREADY HIGHLY NEGOTIATED SENTENCE. GROUP
ACCEPTED SWEDISH AMENDMENT EMPHASIZING EXTRAORDINARY
SITUATION OF STEEL INDUSTRY AND CANADIAN PROPOSAL
TO HAVE PRICE PARAGRAPH REFER TO MEASURES DESIGNED
TO DEAL WITH UNJUSTIFIABLY LOW PRICED IMPORTS
RATHER THAN MEASURES DESIGNED TO RAISE PRICES PER SE.

4. U.S. PROPOSED MEASURES: U.S. DEL OFFERED BRIEF
EXPLANATION OF PROPOSED TRIGGER PRICE MECHANISM
TO CLARIFY ANY MISUNDERSTANDINGS MEMBERS OF GROUP
MAY HAVE GOTTEN FROM PRESS ACCOUNTS. HE NOTED
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PAGE 04 PARIS 35041 01 OF 02 011815Z

TRIGGER PRICE OBJECTIVE WAS TO EXPEDITE ANTIDUMPING
INVESTIGATIONS AND DID NOT INVOLVE SKIPPING STEPS

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PAGE 01 PARIS 35041 02 OF 02 011836Z
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REQUIRED BY U.S. LAW OR GATT ANTIDUMPING CODE OR AFFECT LEGAL RIGHTS OF EITHER IMPORTERS OR EXPORTERS. EC, COMMISSION (LOEFF), WHILE RECOGNIZING DIFFICULT U.S. SITUATION, ASSERTED U.S. ANTIDUMPING LEGISLATION WAS NOT IN CONFORMANCE WITH GATT CODE. HE SAID EFFECT OF U.S. SCHEME WAS NOT PREDICTABLE IN ADVANCE AND COULD BE ACCEPTED IF IT DID NOT DISTURB INTERNATIONAL TRADE. WHILE EC DID NOT ASK FOR A GUARANTEED SHARE OF U.S. MARKET, IT COULD NOT ACCEPT A SUDDEN EXCLUSION OF IMPORTS. CANADIAN DEL EXPRESSED CONCERN THAT U.S. PROCEDURES WOULD NEGLECT INJURY REQUIREMENT AND RESULT IN INTERNAL PRESSURES FOR CANADA TO INSTALL SIMILAR SYSTEM FOR WIDE LIMITED OFFICIAL USE

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PAGE 02 PARIS 35041 02 OF 02 011836Z

RANGE OF INDUSTRIES. HE MENTIONED MAN-MADE FIBERS AS A TROUBLE SPOT, WHERE CANADIAN FIRMS HAD COMPLAINED OF DUMPING BY U.S. COMPETITORS. SWEDEN EXPRESSED SIMILAR CONCERNS (PRIVATELY THEY TOLD U.S. DEL THEY WERE PARTICULARLY WORRIED ABOUT STATUS OF HIGH-CARBON STEEL, WHICH THEY CONSIDERED TO BE A SPECIALITY STEEL ITEM AND U.S. MIGHT NOT). JAPAN SIMPLY RESERVED ITS POSITION PENDING AVAILABILITY OF MORE DETAILS ON U.S. MEASURE. IN RESPONSE U.S. DEL STRESSED THAT U.S. SCHEME DID NOT IN ANY WAY DISPENSE WITH INJURY REQUIREMENT AND THAT U.S. CONSIDERED ITS LAW CONSISTENT WITH GATT CODE. HE NOTED THAT IT WAS IMPOSSIBLE FOR U.S. ADMINISTRATION TO MAINTAIN THAT UNFAIRLY PRICED IMPORTS DESERVED SOME PARTICULAR SHARE OF U.S. MARKET AND ARGUED THAT MEASURES PROPOSED BY U.S. WERE AIMED AT COUNTERING THE DISRUPTION IN INTERNATIONAL TRADE ALREADY CAUSED BY DUMPING.

5. EXPORT CREDITS: SECRETARIAT GAVE STATUS REPORT OF DISCUSSIONS BY EXPORT CREDITS GROUP AND CONSENSUS PARTICIPANTS. U.S. DEL STRESSED INADVISABILITY OF MEMBERS COMPETING AMONG THEMSELVES TO SELL EXPORT-ORIENTED STEEL MILLS TO LDC'S GIVEN EXISTING WORLD OVERCAPACITY AND URGES SUPPORT FOR U.S. PROPOSAL IN EXPORT CREDITS GROUP TO LIMIT SUCH COMPETITION. GROUP NOTED U.S. STATEMENT.

6. POSSIBLE MEETINGS WITH LABOR ORGANIZATION REPS: OTHER THAN DANISH REQUEST THAT GROUP CONFIRM POSITIVE ATTITUDE TO HEAR LABOR ORGANIZATIONS' VIEWS THERE

WAS NO COMMENT. CHAIRMAN INDICATED NO REQUEST FOR PRESENTATION OF VIEWS HAD BEEN FORTHCOMING, BUT SAID LIMITED OFFICIAL USE

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PAGE 03 PARIS 35041 02 OF 02 011836Z

HE WOULD RESPOND FAVORABLY IF THIS WERE TO TAKE PLACE.

7. TRILATERAL: U.S./EC/JAPAN TRILATERAL MORNING OF NOV. 30 WAS DEVOTED MAINLY TO WORKING OUT AGREED TEXT OF CONCLUSIONS. MAIN POINT OF CONTENTION WAS EC DESIRE TO DILUTE REFERENCE TO AVOIDING QUANTITATIVE RESTRICTIONS TO COVER MEMBER STATES EXISTING OR PLANNED QR'S TO CONTROL IMPORTS FROM EAST (BILATERAL MEETING WITH UK NOV. 29 INDICATED THEY WERE PARTICULARLY CONCERNED ABOUT THIS). IN DISCUSSION OF PRICE PARAGRAPH U.S. DEL MADE STATEMENT PER STATE 285095. EC COMMISSION RESPONDED THAT EFFECTS OF U.S. SYSTEM WERE NOT EASILY PREDICTABLE, AND THAT IF IT DISTURBED TRADE SIGNIFICANTLY, THIS WOULD NOT BE ACCEPTABLE AND U.S. AND EC WOULD HAVE TO CONSULT. NOVEL FEATURE OF THIS TRILATERAL WAS PRESENCE OF UK, FRG, AND FRENCH REPS ALONGSIDE COMMISSION. (INFORMAL EXPLANATION GIVEN U.S. DEL WAS THAT THIS WAS NECESSARY BECAUSE UNDER PARIS TREATY MEMBER STATES RATHER THAN COMMISSION HAVE COMPETENCE FOR TRADE MATTERS IN STEEL SECTOR. LOCAL COMMISSION REP TOLD US 113 COMMITTEE HAD DECIDED THAT ANY MEMBER STATE WISHING TO ATTEND TRILATERAL WAS FREE TO DO SO.)

8. FOLLOW UP ACTION REQUIRED: CURRENT INDICATIONS ARE THAT GETTING INFORMATION SYSTEM FUNCTIONING USEFULLY MAY NOT BE EASY. EC EMPHASIS ON "BALANCE" AND JAPANESE RELUCTANCE IN PRICE AREA COULD RESULT IN LOWEST COMMON DENOMINATOR OUTCOME. U.S. SHOULD THEREFORE PROVIDE WILL QUALIFIED REPRESENTATIVE AT DECEMBER 15 MEETING TO WORK OUT DETAILS OF DATA TO BE PROVIDED. SECRETARIAT'S DRAFT QUESTIONNAIRE, WHICH DEC. 15 MEETING WILL BE EXPECTED TO FINALIZE, IS BEING HANDCARRIED TO WASHINGTON BY U.S. DEL.

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PAGE 04 PARIS 35041 02 OF 02 011836Z

IN ADDITION, GROUP AGREED THAT QUALITATIVE SUBMISSIONS ON MEASURES TAKEN WHICH AFFECT PRODUCTION, TRADE, PRICING, AND CAPACITY ADJUSTMENT, AND NEW PROJECTS IN NON-MEMBERS, SHOULD BE PROVIDED EARLY IN JANUARY.

WE RECOMMEND U.S. MAKE SUCH SUBMISSIONS AS SOON AS
POSSIBLE.SALZMAN

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Message Attributes

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